

Message Text

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C O N F I D E N T I A L TEHRAN 7454

E.O. 11652: GDS

TAGS: MARR IR

SUBJ: GOI FINANCIAL SUPPORT FOR ARMISH/MAAG

SUMMARY: DESPITE DETAILED REQUIREMENTS OF 1947 ARMISH AGREEMENT, DIRECT GOI FINANCIAL SUPPORT FOR MAAG HAS VIRTUALLY LAPSED. RESPONSIBLE IRANIAN LEADERS ARE ALMOST CERTAINLY IGNORANT OF THESE FINANCIAL OBLIGATIONS AND PROBABLY EVEN OF EXISTENCE OF AGREEMENT. REASONS FOR FAILURE OF USG TO COLLECT FROM GOI ARE LOST IN PAST, BUT PROBABLY DERIVE FROM CONDITIONS DURING FIFTIES AND SIXTIES WHEN IRAN WAS AID RECIPIENT AND NOT IN POSITION TO MAKE OUTLAYS FOR U.S. MILITARY MISSION. ACTION REQUESTED: WE WOULD APPRECIATE POLICY GUIDANCE AS TO WHETHER WE SHOULD SEEK FINANCIAL SUPPORT FROM GOI FOR MAAG. OPTIONS AND OUR RECOMMENDATION ARE PRESENTED. IF A POSITIVE DECISION IS REACHED, WE WILL BE PREPARED TO SUGGEST SCENARIO FOR DEALING WITH GOI. END SUMMARY.

1. ARTICLES 13-23 OF 1947 ARMISH AGREEMENT SET FORTH GOI OBLIGATIONS TO PROVIDE FINANCIAL SUPPORT FOR MAAG. THESE OBLIGATIONS INCLUDE SALARIES AND ALLOWANCES, TRAVEL, TRANSPORTATION, WORK FACILITIES AND MEDICAL TREATMENT -- IN SHORT ALL EXPENSES NECESSARY TO BRING ADVISORS ACCOMPANIED BY DEPENDENTS TO IRAN AND ENABLE THEM TO PERFORM ASSIGNED
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FUNCTIONS. IT SEEMS EVIDENT FROM SCOPE OF AGREEMENT TERMS THAT BOTH SIDES ORIGINALLY INTENDED THAT U.S. MILITARY MISSION IN IRAN WOULD BE ESTABLISHED WITH VIRTUALLY ALL EXPENSES

COVERED BY GOI.

2. HOWEVER, IN RECENT YEARS GOI HAS NOT PAID MOST FINANCIAL OBLIGATIONS DESCRIBED IN AGREEMENT. CURRENTLY, GOI ONLY PROVIDES IRAN AIR TICKETS FOR ADVISORS AND DEPENDENTS DEPARTING IRAN AT END OF ASSIGNMENT. OTHER MAAG EXPENSES ATTRIBUTABLE TO GOI HAVE BEEN TACITLY ASSUMED BY DOD. WE ASSUME THAT GOI CONTRIBUTIONS ENDED WITH OUR CONSENT DURING PERIOD WHEN IRAN WAS AID RECIPIENT NATION. IRANIANS COULD JUSTIFIABLY ARGUE THAT IN RECENT YEARS WE HAVE SUBMITTED TO THEM NO BILLS FOR ANY OBLIGATIONS FOR MAAG SUPPORT. WE SERIOUSLY DOUBT WHETHER ANY RESPONSIBLE IRANIAN MILITARY OFFICERS ARE EVEN AWARE OF GOI OBLIGATIONS UNDER AGREEMENT.

3. FACT OF MATTER IS THAT 1947 AGREEMENT HAS LITTLE RELEVANCE TO OUR ACTUAL MILITARY RELATIONSHIP WITH IRANIANS. ONLY IN RARE CASES SUCH AS RECENT APO NEGOTIATIONS DO WE DREDGE OUT AGREEMENT AS POINT OF REFERENCE. OTHERWISE IT IS FORGOTTEN DOCUMENT, MUCH MODIFIED BY INFORMAL DECISIONS OR HABITUAL ACTIONS THAT HAVE GROWN UP DURING ITS 25-YEAR EXISTENCE. SUCH IS THE STORY OF MAAG/GOI FINANCIAL RELATIONSHIP; CUSTOM HAS MORE EFFECT THAN WRITTEN WORD. NEVERTHELESS, AGREEMENT IS PRINCIPAL LEGAL BASIS FOR MAAG ACTIVITIES AND PRIVILEGES AND EACH YEAR WE FORMALLY RENEW IT THROUGH EXCHANGE OF NOTES WITH MFA.

4. DURING INTERVENING YEARS MAAG HAS BEEN BENEFICIARY OF NUMEROUS IRANIAN AID-IN-KIND (AIK) CONTRIBUTIONS WHICH ARE NOT SPECIFIED IN AGREEMENT: LAND AND FACILITIES FOR AFRTS, COMMUNITY CHURCH, GULF DISTRICT ADMIN AND RECREATION AREA, MOTOR POOL AND STRATCOM, AMONG OTHER UNITS. AS GENERAL RULE, WHERE FACILITIES ARE PROVIDED DIRECTLY BY GOI FROM ITS ASSETS, USG PAYS NO CHARGES; WHERE FACILITIES MUST BE RENTED (E.G. A/M HOSPITAL AND PART OF STRATCOM AREA) USG NORMALLY PICKS UP TAB. ALTHOUGH SOME HAVE ARGUED THAT PROVISION OF FREE FACILITIES OFFSETS IRANIAN OBLIGATIONS UNDER AGREEMENT, WE BELIEVE THAT IN PROVIDING THESE FACILITIES IRANIANS HAVE RECOGNIZED IMPLICITLY THAT SUCH SERVICES ARE NORMAL AND NECESSARY

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SUPPORT FOR LARGE U.S. MILITARY PRESENCE WHICH GOI HAS REQUESTED. THERE IS ABSOLUTELY NO JUSTIFICATION ON RECORD FOR ASSUMING IRANIANS THOUGHT THEY WERE OFFSETTING AGREEMENT OBLIGATIONS IN PROVIDING LAND AND FACILITIES.

5. CLEARLY THIS IS AN UNTIDY SITUATION, FUNCTIONING SATISFACTORILY BUT POSSIBLY OPEN TO CRITICISM. ON ONE HAND, MAAG SUPPORT IS LEGALLY OWED BY GOI AND MAAG IS SINGULAR EXCEPTION TO SHAH'S DETERMINATION THAT IRAN WILL NO LONGER ACCEPT AID AND WILL PAY ITS OWN WAY. ON OTHER HAND, WE HAVE COMFORTABLE MILITARY RELATIONSHIP WITH GOI THAT HAS GROWN UP INFORMALLY AND WHICH OPERATES TO OUR

POLITICAL AND ECONOMIC BENEFIT. WE BELIEVE THIS QUESTION OF MAAG FINANCING SHOULD BE CONSIDERED FROM POLICY STANDPOINT BY WASHINGTON INTERAGENCY COMMITTEE WHEN REGIONAL CONDITIONS PERMIT. FROM OUR VIEWPOINT THERE APPEAR TO BE THREE OPTIONS:

A. DO NOTHING. MAAG COSTS US ABOUT \$10 MILLION ANNUALLY AND HAS BROUGHT US ARMS SALES OF OVER \$3 BILLION. MAAG AFFORDS OUR ADVISORS POSITIONS OF INFLUENCE WITHIN A KEY SECTOR OF IRANIAN ESTABLISHMENT. THUS, WE PAY SMALL COST FOR LARGE GAINS. BUT, BY NOT ROCKING THE BOAT TO COLLECT WHAT IS OWED US, WE PERHAPS LEAVE OURSELVES VULNERABLE TO CONGRESSIONAL AND OTHER CRITICISM.

B. COLLECT WHAT IS OWED US UNDER AGREEMENT, EITHER ACCORDING TO ITS TERMS OR FOLLOWING TAFT-TYPE FORMULA. IRAN WILLINGLY PAYS FULL COSTS OF TAFT PROGRAM AND WOULD PROBABLY PRODUCE FULL AMOUNT FOR MAAG SERVICES WHICH ARE HIGHLY VALUED BY GOI. HOWEVER, IRANIANS ARE FULLY AWARE OF HOW MAAG SERVES USG AND WOULD NOT LOOK KINDLY ON PAYING COSTS OF, SAY, OFFICERS WHO ARE PRACTICALLY FULL TIME ON FMS CASES.

C. SPLIT TOTAL MAAG COSTS (INCLUDING ALL SUPPORT COSTS) WITH GOI. IN OUR OPINION THIS WOULD BE BEST OPTION. IT ACKNOWLEDGES REALITIES OF SITUATION AND, WE BELIEVE, WOULD BE ACCEPTABLE TO GOI. RECENT MAAG SURVEY SHOWED APPROXIMATELY HALF MAAG JOBS SERVING U.S. INTERESTS AND HALF DEVOTED ENTIRELY TO IRANIAN PROJECTS. THUS, WE THINK 50-50 SPLIT THIS YEAR WOULD BE APPROPRIATE, BUT FUTURE-YEAR DIVISION COULD BE NEGOTIATED ANNUALLY.

6. WHATEVER DECISION IS MADE ON THIS MATTER, WE BELIEVE FOLLOWING PRINCIPLES SHOULD BE OBSERVED:
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A. IN OUR NEGOTIATIONS WE SHOULD ASSURE THAT IT WILL NOT BECOME NECESSARY FOR GOI TO REFER MODIFIED AGREEMENT TO IRANIAN LEGISLATIVE BRANCH. IF NEW METHOD OF PAYMENT IS DESIRED, THIS COULD BE ACCOMPLISHED BY SIMPLE EXCHANGE OF NOTES SUBSTITUTING NEW METHOD (LUMP SUM OR PERCENTAGE OF MAAG COSTS) FOR ARTICLE 13-25 PROVISIONS. RATHER THAN GO THE LEGISLATIVE ROUTE WE WOULD PREFER TAKE NO ACTION.

B. THERE SHOULD BE NO ATTEMPT TO COLLECT PAST GOI DEBTS UNDER AGREEMENT. IN FIRST PLACE, THESE WOULD BE ALMOST IMPOSSIBLE TO CALCULATE; SECOND, EFFORT TO COLLECT WOULD DAMAGE RELATIONS WITH GOI; FINALLY, IT ALMOST SURELY WOULD NOT SUCCEED.

C. IF WE ARE TO COLLECT FUNDS FROM GOI, WE SHOULD ALLOW IRANIANS TO MAKE UP THEIR CONTRPMUTION TO EXTENT POSSIBLE THROUGH AIK, E.G. PAYMENT OF HOSPITAL RENT AND PORTION OF FUTURE PREMISES FOR COMMISSARY.

7. IF EITHER B. OR C. ABOVE OR SOME OTHER ACTIVE COURSE IS SELECTED, WE WILL BE PREPARED TO DEVELOP SCENARIO FOR IMPLEMENTATION OF DECISION.

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<< END OF DOCUMENT >>

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